

TOWNSHIP OF SYLVAN

REPORT ON AUDIT OF
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED MARCH 31, 2008

TOWNSHIP OF SYLVAN

TOWNSHIP OFFICIALS

Supervisor - Michael Williams
Clerk - LuAnn Koch
Treasurer - Arlene Grau

TOWNSHIP BOARD

Arlene Grau
LuAnn Koch
Patrick Merkel
David Solo
Michael Williams

TOWNSHIP ATTORNEY'S

Foster, Swift, Collins & Smith, P.C.

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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August 28, 2008

Board of Trustees
Township of Sylvan
18027 W Old US 12
Chelsea, Michigan 48118

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Sylvan as of and for the year ended March 31, 2008, which collectively comprise the Township of Sylvan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Sylvan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Sylvan as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 6 through 9 and 30 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Sylvan's basic financial statements. The accompanying supplementary is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining statements and individual fund statements, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Within this section of the Township of Sylvan's annual financial report, the Township's management is providing a narrative discussion and analysis of the financial activities of the Township for the fiscal year ended March 31, 2008. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Township's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Township also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various nonfinancial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Governmental activities include such activities as general government, public safety, and planning and zoning departments. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has two kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township's net assets at the end of the fiscal year were a deficit of \$2,789,307. This is a substantial decrease over last year's net assets deficit of \$2,484,664 primarily due to the lack of the new connection fees for the sewer and water system.

The following tables provide a summary of the Township's financial activities and changes in net assets:

Summary of Net Assets

	<u>3/31/2008</u>	<u>3/31/2007</u>
Current and other assets	\$ 9,023,055	\$ 10,036,458
Capital assets	<u>849,267</u>	<u>868,392</u>
Total assets	<u>9,872,322</u>	<u>10,904,850</u>
Accounts payable and other current liabilities	344,319	319,704
Contracts payable	<u>12,317,310</u>	<u>13,069,810</u>
Total liabilities	<u>12,661,629</u>	<u>13,389,514</u>
Net assets:		
Invested in capital assets, net of related debt	849,267	868,392
Unrestricted (deficit)	<u>(3,638,574)</u>	<u>(3,353,056)</u>
Total net assets (deficit)	<u>\$ (2,789,307)</u>	<u>\$ (2,484,664)</u>

Summary of Changes in Net Assets

	<u>3/31/2008</u>	<u>3/31/2007</u>
Revenues:		
Program revenues		
Charges for services	\$ 106,154	\$ 116,242
Operating contributions	32,000	1,107,649
General revenues		
State shared revenue	186,938	185,991
Property taxes	194,418	182,403
Interest income - cash and equivalents	75,804	53,697
Interest income - special assessments	266,040	422,595
Franchise fees	16,645	15,071
Other income	<u>15,670</u>	<u>17,774</u>
Total revenues	<u>893,669</u>	<u>2,101,422</u>
Expenses		
General government	325,149	362,033
Fire protection	244,695	247,563
Public works	62,473	67,387
Interest on long-term debt	<u>565,995</u>	<u>599,069</u>
Total expenses	<u>1,198,312</u>	<u>1,276,052</u>
Changes in net assets	(304,643)	825,370
Beginning net assets (deficit)	<u>(2,484,664)</u>	<u>(3,310,034)</u>
Ending net assets (deficit)	<u><u>\$ (2,789,307)</u></u>	<u><u>\$ (2,484,664)</u></u>

Financial Analysis of the Township's Funds (Modified accrual basis)

The Township of Sylvan reported two major funds for the year ended March 31, 2008. These funds included:

- General Fund
- Water and Sewer Debt Service Fund

The General Fund decreased its fund balance by \$54,943. The decrease in fund balance is typical to prior year activities having high professional fees and large fire protection costs.

The Water and Sewer Debt Service Fund had expenditures over revenues totaling \$461,790 to decrease its fund balance to \$2,254,185 at March 31, 2008. Large connection fees have not occurred as in the past due to the declining economical environment

General Fund Budgetary Highlights

The Township approved a budget prior to the start of the fiscal year, and made an immaterial amendment to bring it closes to fiscal reality. One amendment was to account for increased legal fees incurred.

Capital Asset and Debt Administration

The Township did not acquire any capital assets during the year. Total depreciation expense for the year was \$19,125 and was assigned to the general government activity in the Statement of Activities. The capital assets previously reported by the Township related to the water and sewer system activities have been removed and placed on the Sylvan Township Water and Sewer Authority's financial statements.

The Township issued no additional debt, but did reduce the contracts payable by \$748,500. Total amount of debt obligations were \$12,317,310 as of March 31, 2008.

Economic Conditions and Future Activities

The Township has \$12,253,310 contracts payable to Washtenaw County for its portion of the construction of the utility systems operated by the Sylvan Township Water and Sewer Authority as of March 31, 2008. However, the Township only had \$7,877,955 of cash and special assessment assets to meet these future obligations. This debt was incurred under the premise that new users would be forthcoming to pay connection fees to remedy this gap between assets and liabilities. Projections of the debt service show a possible cash flow deficit if new users are not forth coming.

Contacting the Township's Financial Management

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Township of Sylvan at 18027 W Old US 12, Chelsea, Michigan 48118.

BASIC FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

TOWNSHIP OF SYLVAN
STATEMENT OF NET ASSETS
MARCH 31, 2008

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<u>ASSETS</u>	
ASSETS	
Cash and cash equivalents	\$ 1,945,831
Receivables	
Accounts	4,462
Special assessments	6,407,978
State shared revenues	29,374
Taxes	10,148
Utility authority	526,578
Capital assets - net of depreciation	849,267
Bond discount - net of amortization	<u>98,684</u>
Total assets	<u>9,872,322</u>
<u>LIABILITIES</u>	
LIABILITIES	
Accounts payable/accrued expenses	288,909
Deposits	55,410
Contracts payable	
Current	748,500
Non-current	<u>11,568,810</u>
Total liabilities	<u>12,661,629</u>
<u>NET ASSETS (DEFICIT)</u>	
NET ASSETS (DEFICIT)	
Investment in capital assets, net of related debt	849,267
Unrestricted (deficit)	<u>(3,638,574)</u>
Total net assets (deficit)	<u><u>\$ (2,789,307)</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SYLVAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Programs Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Contributions	
GOVERNMENTAL ACTIVITIES				
General government	\$ (325,149)	\$ 105,990	\$	\$ (219,159)
Fire protection	(244,695)			(244,695)
Public works	(62,473)	164	32,000	(30,309)
Interest on long-term debt	(565,995)			(565,995)
Total governmental activities	<u>\$ (1,198,312)</u>	<u>\$ 106,154</u>	<u>\$ 32,000</u>	<u>(1,060,158)</u>
General revenues				
Property taxes				194,418
State shared revenues				186,938
Interest income - cash and equivalents				75,804
Interest income - special assessments				266,040
Rental income				11,400
Franchise fees				16,645
Other income				4,270
Total general revenues				<u>755,515</u>
Changes in net assets				(304,643)
Net assets (deficit), April 1, 2007				<u>(2,484,664)</u>
Net assets (deficit), March 31, 2008				\$ (2,789,307)

The accompanying notes are an integral part of these financial statements.

FUND
FINANCIAL
STATEMENTS

TOWNSHIP OF SYLVAN
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	<u>General</u>	<u>Water and Sewer Debt Service</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
ASSETS			
Cash and cash equivalents	\$ 475,854	\$ 1,469,977	\$ 1,945,831
Receivables			
Taxes	10,148		10,148
State shared revenues	29,374		29,374
Special assessments		6,407,978	6,407,978
Utility authority		526,578	526,578
Accounts	2,711		2,711
Due from other funds	37,507		37,507
	<u>37,507</u>		<u>37,507</u>
Total assets	<u>\$ 555,594</u>	<u>\$ 8,404,533</u>	<u>\$ 8,960,127</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 52,387	\$	\$ 52,387
Payroll taxes payable	269		269
Accrued interest payable		235,538	235,538
Due to other funds	3,259	32,497	35,756
Due to others		715	715
Deposits - escrow	55,410		55,410
Deferred revenues		5,881,598	5,881,598
	<u>111,325</u>	<u>6,150,348</u>	<u>6,261,673</u>
Total liabilities			
FUND BALANCE			
Reserved for debt service		2,254,185	2,254,185
Unreserved	444,269		444,269
	<u>444,269</u>	<u>2,254,185</u>	<u>2,698,454</u>
Total fund balance			
	<u>\$ 555,594</u>	<u>\$ 8,404,533</u>	<u>\$ 8,960,127</u>
Total liabilities fund balance			

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SYLVAN
RECONCILIATION OF STATEMENT OF NET ASSETS OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
MARCH 31, 2008

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet	\$ 2,698,454
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Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.

Historical cost	\$ 1,079,513
Depreciation	<u>(230,246)</u>

Capital assets net of depreciation	849,267
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Bond discount is reported as a financing uses in the governmental funds, but are amortized over the life of the bonds in the government - wide statements.

Bond discount	125,000
Accumulated amortization	<u>(26,316)</u>

Total	98,684
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Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:

Contracts payable	(12,317,310)
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Deferred revenues on special assessments was recognized as revenue in the government-wide statements. Assessments are income as they are assessed.

	<u>5,881,598</u>
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Net assets of governmental activities	<u><u>\$ (2,789,307)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SYLVAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	General	Water and Sewer Debt Service	Total Governmental Funds
REVENUES			
Taxes	\$ 194,418	\$	\$ 194,418
Special assessment		780,746	780,746
Connection fees		32,000	32,000
State shared revenues	186,938		186,938
Franchise fees	16,645		16,645
Rental income	11,400		11,400
Charges for services	106,154		106,154
Interest	6,806	68,998	75,804
Miscellaneous	4,270		4,270
	<u>526,631</u>	<u>881,744</u>	<u>1,408,375</u>
Total revenues			
EXPENDITURES			
Current:			
General government	306,024		306,024
Fire protection	244,695		244,695
Public works	30,855	31,618	62,473
Debt service:			
Principal		744,500	744,500
Interest		567,416	567,416
	<u>581,574</u>	<u>1,343,534</u>	<u>1,925,108</u>
Total expenditures			
Net changes in fund balances	(54,943)	(461,790)	(516,733)
FUND BALANCE, APRIL 1, 2007	<u>499,212</u>	<u>2,715,975</u>	<u>3,215,187</u>
FUND BALANCE, MARCH 31, 2008	<u>\$ 444,269</u>	<u>\$ 2,254,185</u>	<u>\$ 2,698,454</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SYLVAN
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Amounts reported for governmental activities in the Statement
of Activities are different because:

Net change in fund balances - governmental funds	\$ (516,733)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their useful lives as depreciation expense.	
Depreciation expense	(19,125)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	
Repayment of: Contract payable	752,500
Principal received on special assessments are income as they are levied annually for governmental funds, but they are income when when they are levied for the Statement of Activities.	
Principal collected on assessments	(514,706)
Bond discount is another financing use in the first year for the governmental funds, but are amortized over the life of the loans in the governmental-wide statements.	
Amortization expense	<u>(6,579)</u>
Change in net assets of governmental activities	<u>\$ (304,643)</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SYLVAN
FIDUCIARY FUNDS
STATEMENT OF ASSETS AND LIABILITIES
MARCH 31, 2008

	<u>Trust and Agency Fund</u>	<u>Current Tax Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
ASSET			
Cash	\$ 1,041	\$ 592	\$ 1,633
Due from other funds		3,711	3,711
Due from others	<u>118</u>		<u>118</u>
Total assets	<u><u>\$ 1,159</u></u>	<u><u>\$ 4,303</u></u>	<u><u>\$ 5,462</u></u>
<u>LIABILITIES</u>			
LIABILITIES			
Due to others	<u><u>\$ 1,159</u></u>	<u><u>\$ 4,303</u></u>	<u><u>\$ 5,462</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

TOWNSHIP OF SYLVAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Township of Sylvan conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A. REPORTING ENTITY

The Township of Sylvan is a general law Township located in Washtenaw County in Southeastern Michigan. The Township of Sylvan's Board of Trustees are comprised of a five-member elected board.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental fund types are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

TOWNSHIP OF SYLVAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Water and Sewer Debt Service Fund accounts for the activities surrounding the Township's participation in the Sylvan Township Water and Sewer Authority. This activity is funded by assessments/connection fees to pay the related debt service.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs.

TOWNSHIP OF SYLVAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. BUDGETARY DATA

The board of trustees follows the procedures as outlined in the Uniform Budgeting Manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The supervisor prepares the annual budgets through information received by the clerk. The proposed budget is then submitted for discussion and approval by the entire Township board. The budget is approved by activity. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Township board at any of their regular meetings.

Actual expenditures exceeded budgeted appropriations for several activities.

E. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$500 and an estimated useful life greater than one year. Land is considered a capital asset regardless of initial cost. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 50 years
Machinery and equipment	5 to 40 years

Any capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

F. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

TOWNSHIP OF SYLVAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. CASH AND CASH EQUIVALENTS

The Township considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

I. INCOME TAXES

As a governmental agency, the Township is exempt from both federal income taxes and Michigan Business Tax.

J. BOND DISCOUNT

Bond discounts are amortized over the life of the loan on the government-wide statements, and recorded as financing uses in the year incurred.

K. PROPERTY TAXES

The Township property tax is levied each December 1 on the taxable valuation of property located in the township as of the preceding December 31. Taxable values are established annually by the county and are equalized by the state. Real and personal property in the township for the 2007 levy was assessed at an adjusted taxable value of \$200,967,075. Taxes are due and payable by February 28. Delinquent real property taxes are returned to the County Treasurer for collection. The Township levied .9474 mills for 2007.

NOTE 2 - DESCRIPTION OF REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) statement number 39 all funds, agencies, and activities of the Township of Sylvan as the primary government have been included in the financial statements.

NOTE 3 - INTERFUND BALANCES

All interfund balances are short-term in character. Interfund balances are expected to be collected during the next reporting period. Amounts due at March 31, 2008 include:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 37,507	\$ 3,259
Current Tax Collection Fund	3,711	4,303
Water and Sewer Debt Service Fund		32,497
Trust and Agency Fund		1,159
	<u> </u>	<u> </u>
Totals	<u>\$ 41,218</u>	<u>\$ 41,218</u>

TOWNSHIP OF SYLVAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 4 - DEFINED CONTRIBUTION PENSION PLAN

The Township provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. Employees may make voluntary contributions up to the lesser of \$7,500 or 33.3 percent of the employee's includable compensation. The Township has committed to and is currently making contributions totaling 7.65 percent of includable compensation. Full vesting takes place immediately for all contributions and related account earnings. The Township contributed \$4,705 during the year, and employees contributed \$8,127.

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the board is in accordance with Act 196 PA 1997. The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>	<u>Bank Balance</u>
Insured	\$ 100,000	\$	\$ 100,000	\$ 100,000
Uninsured and uncollateralized	1,845,831	1,633	1,847,464	1,856,740
Total deposits	<u>\$ 1,945,831</u>	<u>\$ 1,633</u>	<u>\$ 1,947,464</u>	<u>\$ 1,956,740</u>

The Township's cash and investments are subject to types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,856,740 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk - The Township places no limit on the amount the Township may invest in any one issuer.

TOWNSHIP OF SYLVAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008
Land	\$ 256,405	\$	\$	\$ 256,405
Buildings and improvements	764,985			764,985
Office furniture and equipment	58,123			58,123
Total cost	1,079,513			1,079,513
Accumulated depreciation	(211,121)	(19,125)		(230,246)
Total net book value	<u>\$ 868,392</u>	<u>\$ (19,125)</u>	<u>\$</u>	<u>\$ 849,267</u>

There was no debt outstanding for these capital assets at March 31, 2008. All depreciation is included in the general government expense in the Statement of Activities.

NOTE 7 - LONG-TERM DEBT

The following is a summary of the Township's long-term debt for the year ended March 31, 2008:

<u>Contracts Payable</u>	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008	Due within one year
City of Chelsea	\$ 68,000	\$	\$ 4,000	\$ 64,000	\$ 4,000
Washtenaw County Project #3140	10,900,000		500,000	10,400,000	500,000
Washtenaw County Project #3240	2,097,810		244,500	1,853,310	244,500
	<u>\$ 13,065,810</u>	<u>\$</u>	<u>\$ 748,500</u>	<u>\$ 12,317,310</u>	<u>\$ 748,500</u>

TOWNSHIP OF SYLVAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 7 - LONG-TERM DEBT (continued)

The contracts include:

1. Contract payable to the City of Chelsea to pay 6.75% of certain future costs that the City may incur in connection with the monitoring and remediation of the City's closed landfill site. The Township will continue to pay approximately \$4,000 a year until the project's estimated completion in 2024.
2. Contract payable to Washtenaw County for project #3140 related to the construction of the water distribution system. The loan requires semi-annual interest payments with an interest rate ranging from 3.75% and 6.75% and annual principal payments of \$400,000 to \$900,000 until its maturity in 2023.
3. Contract payable to Washtenaw County for project #3240 related to the construction of the sewage treatment lines. The loan requires semi-annual interest payments with an interest rate of 4.85% and annual principal payments of \$110,025 to \$244,500 until its maturity in 2023.

The following is a schedule of principal and interest payments to service the long-term debt of the Township:

<u>Fiscal Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
3/31/2009	\$ 748,500	\$ 551,918	\$ 1,300,418
3/31/2010	650,700	519,474	1,170,174
3/31/2011	750,700	483,764	1,234,464
3/31/2012	709,135	452,691	1,161,826
3/31/2013	714,025	423,288	1,137,313
4/01/2013 to 3/31/2018	3,970,125	1,607,849	5,577,974
4/01/2018 to 3/31/2023	4,770,125	580,488	5,350,613
3/31/2024	4,000		4,000
Total	<u>\$ 12,317,310</u>	<u>\$ 4,619,472</u>	<u>\$ 16,936,782</u>

NOTE 8 - CONTINGENCIES

The Township has litigation outstanding claiming that the sewer assessment district established by the Township to pay for sewer improvements was improperly formed. The expected outcome of this litigation is not determinable, but the Township's risk is substantial. The Township may have to refund sewer assessments previously paid, and will need to re-evaluate how to meet their debt obligations.

TOWNSHIP OF SYLVAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 9 - PROJECT UNCERTAINTIES

The Township has entered into agreements with Washtenaw County in which the county sold bonds for approximately \$15 million on behalf of the Township to finance the construction of a sewer/water system improvements and lines. The bonds are payable over 20 years.

The Township has special assessments totaling \$6,407,978 yet to be collected while the total debt related to these projects is \$12,253,310 as of March 31, 2008. The Township believed there would be enough new utility customers to pay for the difference. However, the new customers are not forthcoming as originally planned. Recent projections of the debt service fund show possible cash flow deficits over the life of the debt obligation

Until the Authority can provide a positive cash flow to operate its system the Township has continued to lend funds to the Authority. As of March 31, 2008 the amount totaled \$526,578. This is down \$17,899 from the previous year while the Authority pays this loan. There is no interest being charged/accrued. It is unknown when this loan will be paid in full.

The Township is considering various options to remedy the above problems.

NOTE 10 - JOINT VENTURES

The Township is a member of the Sylvan Township Water and Sewer Authority, which provides water and sewer services to the residents of Sylvan Township, Lima Township and Lyndon Township. The board of the Authority consists of three representatives from Sylvan Township and one representative each from Lyndon and Lima Townships. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Sylvan Township Water and Sewer Authority can be obtained from the administrative offices at 18027 West Old US 12, Chelsea, Michigan 48118.

The Township is a member of the Chelsea Area Fire Authority, which provides services to residents of Sylvan Township, Lima Township, Lyndon Township, Waterloo Township and the City of Chelsea. The participating communities provide annual funding for its operations. During the current year the Township contributed \$247,563 for its operations. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Chelsea Area Fire Authority can be obtained from the administrative offices at 200 West Middle, Chelsea, Michigan 48118.

The Township is a member of the Chelsea Area Construction Agency, (the "Agency"), which serves Sylvan Township, Lima Township, Lyndon Township, Sharon Township, Dexter Township and the City of Chelsea. The Chelsea Area Construction Agency provides construction application services for the residents of these communities. The Agency is self-supporting. The Township does not receive any revenue from the Agency's results of operations. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Agency can be obtained from the administrative offices at 18027 West Old US 12, Chelsea, Michigan 48118.

The Township is a member of the Western Washtenaw Recycling Authority (the "Recycling Authority"), which serves Sylvan Township and other local municipalities. The Recycling Authority provides recycling services for the residents of these communities. The Township does not receive any revenue from the Recycling Authority's results of operations. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Western Washtenaw Recycling Authority can be obtained from the administrative offices at 8025 Werkner Road, Chelsea, Michigan 48118.

REQUIRED
SUPPLEMENTAL
INFORMATION

TOWNSHIP OF SYLVAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008

	Budgets			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 190,000	\$ 190,000	\$ 191,707	\$ 1,707
Franchise fees	9,900	9,900	16,645	6,745
Tax administration fee	73,500	73,500	76,707	3,207
State shared revenue	185,000	185,000	186,938	1,938
Annexation fees	2,600	2,600	2,711	111
Right of way fees	5,800	5,800	3,924	(1,876)
Recycling			164	164
Charges for services	15,000	15,000	25,359	10,359
Interest	5,000	5,000	6,806	1,806
Rental income	7,150	7,150	11,400	4,250
Miscellaneous			4,270	4,270
Total revenues	493,950	493,950	526,631	32,681
EXPENDITURES	546,789	552,789	581,574	(28,785)
Net change in fund balance	(52,839)	(58,839)	(54,943)	3,896
FUND BALANCE, APRIL 1, 2007	499,212	499,212	499,212	
FUND BALANCE, MARCH 31, 2008	<u>\$ 446,373</u>	<u>\$ 440,373</u>	<u>\$ 444,269</u>	<u>\$ 3,896</u>

SUPPLEMENTAL
INFORMATION

INDIVIDUAL FUNDS

GENERAL
FUND

TOWNSHIP OF SYLVAN
GENERAL FUND
BALANCE SHEET
MARCH 31, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 475,854
Receivables	
Taxes	10,148
State shared revenues	29,374
Accounts	2,711
Due from other funds	<u>37,507</u>
 Total assets	 <u><u>\$ 555,594</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 52,387
Payroll taxes payable	269
Due to other funds	3,259
Deposits - escrow	<u>55,410</u>
 Total liabilities	 111,325

FUND BALANCE

	<u>444,269</u>
 Total liabilities and fund balance	 <u><u>\$ 555,594</u></u>

TOWNSHIP OF SYLVAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 190,000	\$ 191,707	\$ 1,707
Franchise fees	9,900	16,645	6,745
Tax administration fee	73,500	76,707	3,207
State shared revenue	185,000	186,938	1,938
Annexation fees	2,600	2,711	111
Right of way fees	5,800	3,924	(1,876)
Recycling		164	164
Charges for services	15,000	25,359	10,359
Interest	5,000	6,806	1,806
Rental income	7,150	11,400	4,250
Miscellaneous		4,270	4,270
Total revenues	493,950	526,631	32,681
EXPENDITURES	552,789	581,574	(28,785)
Net change in fund balance	(58,839)	(54,943)	3,896
FUND BALANCE, APRIL 1, 2007	499,212	499,212	
FUND BALANCE, MARCH 31, 2008	<u>\$ 440,373</u>	<u>\$ 444,269</u>	<u>\$ 3,896</u>

TOWNSHIP OF SYLVAN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008

	Budget	Actual	Variance Favorable (Unfavorable)
TRUSTEES			
Salaries	\$ 5,160	\$ 5,160	\$
SUPERVISOR			
Salaries		26,300	
Supplies		712	
Total supervisor	26,550	27,012	(462)
ELECTIONS			
Consultant	2,500	1,629	871
ACCOUNTING AND AUDIT	25,000	25,550	(550)
ASSESSOR			
Supplies		1,035	
Contracted services		27,600	
Total assessor	28,000	28,635	(635)
LEGAL			
Legal fees	24,000	36,701	(12,701)
CLERK			
Salaries		24,100	
Postage		699	
Supplies		2,542	
Total clerk	27,350	27,341	9
BOARD OF REVIEW			
Salaries	1,550	1,225	325
TREASURER			
Salary		24,100	
Deputy treasurer wages		231	
Supplies		690	
Total treasurer	25,250	25,021	229

TOWNSHIP OF SYLVAN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BUILDING AND GROUNDS			
Salaries		66	
Supplies		2,679	
Repairs and maintenance		20,617	
Contracted services		1,996	
Utilities		8,670	
Miscellaneous		600	
Total building and grounds	<u>29,200</u>	<u>34,628</u>	<u>(5,428)</u>
UNALLOCATED			
Salaries		3,540	
Supplies		590	
Postage		3,678	
Telephone		2,934	
Printing and publishing		2,264	
Education		930	
Miscellaneous		4,544	
Payroll taxes/retirement		6,765	
Dues		4,101	
Total unallocated	<u>34,700</u>	<u>29,346</u>	<u>5,354</u>
FIRE PROTECTION			
Authority contributions	<u>253,679</u>	<u>244,695</u>	<u>8,984</u>
PLANNING AND ZONING			
Salaries		9,330	
Supplies		71	
Planning consultant		37,347	
Total planning and zoning	<u>25,250</u>	<u>46,748</u>	<u>(21,498)</u>
BOARD OF APPEALS			
Salaries		3,330	
Contracted services		180	
Total board of appeals	<u>4,000</u>	<u>3,510</u>	<u>490</u>
ROADS	<u>20,000</u>	<u>23,600</u>	<u>(3,600)</u>

TOWNSHIP OF SYLVAN
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REFUSE/LANDFILL	<u>3,000</u>	<u></u>	<u>3,000</u>
RECYCLING	<u>2,500</u>	<u>4,755</u>	<u>(2,255)</u>
TRANSPORTATION	<u>2,500</u>	<u>2,500</u>	<u></u>
INSURANCE	<u>12,000</u>	<u>13,518</u>	<u>(1,518)</u>
CEMETERY	<u>600</u>	<u></u>	<u>600</u>
Total expenditures	<u><u>\$ 552,789</u></u>	<u><u>\$ 581,574</u></u>	<u><u>\$ (28,785)</u></u>

WATER AND SEWER
DEBT SERVICE FUND

TOWNSHIP OF SYLVAN
WATER AND SEWER DEBT SERVICE FUND
BALANCE SHEET
MARCH 31, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 1,469,977
Receivables	
Special assessments	6,407,978
Authority	<u>526,578</u>
Total assets	<u>\$ 8,404,533</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accrued interest payable	\$ 235,538
Due to other funds	32,497
Due to others	715
Deferred revenues	<u>5,881,598</u>
Total liabilities	6,150,348

FUND BALANCE

	<u>2,254,185</u>
Total liabilities and fund balance	<u>\$ 8,404,533</u>

TOWNSHIP OF SYLVAN
WATER AND SEWER DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2008

REVENUES

Connection fees	\$ 32,000
Special assessments - principal	514,706
Special assessments - interest	266,040
Interest	<u>68,998</u>
Total revenues	<u>881,744</u>

EXPENDITURES

Debt service - principal	744,500
Debt service - interest	567,416
Professional fees	<u>31,618</u>
Total expenditures	<u>1,343,534</u>

Net changes in fund balance	(461,790)
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FUND BALANCE, APRIL 1, 2007	<u>2,715,975</u>
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FUND BALANCE, MARCH 31, 2008	<u><u>\$ 2,254,185</u></u>
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CURRENT TAX
COLLECTION
FUND

TOWNSHIP OF SYLVAN
CURRENT TAX COLLECTION FUND
STATEMENT OF ASSETS AND LIABILITIES
MARCH 31, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 592
Due from other funds	<u>3,711</u>
Total assets	<u><u>\$ 4,303</u></u>

LIABILITIES

LIABILITIES

Due to other funds	<u><u>\$ 4,303</u></u>
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TRUST AND AGENCY
FUND

TOWNSHIP OF SYLVAN
TRUST AND AGENCY FUND
STATEMENT OF ASSETS AND LIABILITIES
MARCH 31, 2008

ASSETS

ASSETS

Cash and cash equivalents
Due from others

\$ 1,041
118

Total assets

\$ 1,159

LIABILITIES

LIABILITIES

Due to other funds

\$ 1,159

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
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August 28, 2008

Board of Trustees
Township of Sylvan
18027 W. Old US 12
Chelsea, MI 48118

Dear Honorable Board of Trustees:

During our audit of the Township of Sylvan we came across the following matters that we would like to discuss with you as part of our audit presentation for the year ending March 31, 2008.

The matter which we would like to discuss with you is as follows:

There is a new auditing standard (SAS #112) which we are required to follow as your auditing firm. This new standard relates to more formal communications by us to you regarding significant deficiencies in your internal controls and accounting procedures.

There are certain issues (deficiencies) which were previously considered general comments but under the new standard are now considered significant deficiencies.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's or detected by the entity's internal control.

We consider the following to be a material weakness of the Township.

- Historically, the Township has relied on independent external auditors in the preparation of their financial statements and required disclosures. The Township has determined that the cost/benefit of preparing the financial statements and disclosures are best served by continuing this practice.
- The special assessments levied to finance the water/wastewater treatment plant and collection system is considerably less than the outstanding debt owed by the Township to the bondholders.
- A lack of segregation of duties exists in the Township. The Township may wish to evaluate the cost/benefit of segregating these duties.

The following are other comments and recommendations relating to the Township's accounting and record keeping procedures:

- We noticed that not all timesheets were signed by the employee and their supervisor. To ensure the completeness of these records, an appropriate person should be reviewing these records.
- Special assessments were not reconciled to the general ledger during the year. These amounts need to be reconciled regularly to verify its completeness.
- Several interfund and unreconciled balances were included in the miscellaneous income/expenditure accounts. The Township should review the general ledger activity, and take appropriate action on a regular basis.

Conclusion

Thank you for your assistance and hospitality toward our firm while conducting the audit of the Township of Sylvan.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of the Township of Sylvan and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants